Financial Statements

For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

and
Report Thereon

Reports Required in Accordance with the Uniform Guidance

For the Year Ended June 30, 2018

ST. JOHN'S COLLEGE

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For the Year Ended June 30, 2018

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Visitors and Governors of
St. John's College

Report on the Financial Statements

We have audited the accompanying financial statements of St. John's College (the College), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. John's College as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

The financial statements of the College as of and for the year ended June 30, 2017, were audited by other auditors whose report dated January 16, 2018, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 27, 2018

ST. JOHN'S COLLEGE

STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With Summarized Financial Information as of June 30, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	$ 3,350,415	$ 3,824,983
Restricted cash for construction	2,194,721	6,516,699
Loans and other receivable, net	6,084,712	6,338,640
Contributions receivable, net	41,605,903	48,062,587
Prepaid expenses and other assets	2,119,572	2,253,913
Beneficial interest in a trust	2,726,463	2,728,497
Investments	172,109,848	168,908,219
Property and equipment, net	80,699,610	76,164,887
TOTAL ASSETS	$ 310,891,244	$ 314,798,425
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 3,572,696	$ 2,834,491
Accrued sabbatical leave	3,658,337	4,132,477
Lines of credit	3,000,000	5,250,000
Deferred revenue	1,431,828	1,317,851
U.S. government grants refundable	1,203,947	1,295,362
Annuities and other trust liabilities	2,293,554	2,584,304
Bonds payable, net	26,438,746	26,857,780
Accrued postretirement benefits	21,554,881	22,471,192
Other liabilities	2,132,153	2,227,514
TOTAL LIABILITIES	65,286,142	68,970,971
Net Assets		
Unrestricted	17,430,499	19,301,729
Temporarily restricted	57,755,443	62,412,549
Permanently restricted	170,419,160	164,113,176
TOTAL NET ASSETS	245,605,102	245,827,454
TOTAL LIABILITIES AND NET ASSETS	$ 310,891,244	$ 314,798,425

The accompanying notes are an integral part of these financial statements.

ST. JOHN'S COLLEGE

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total	2017 Total
REVENUE AND SUPPORT					
Student tuition and fees	$ 43,420,118	$ -	$ -	$ 43,420,118	$ 41,429,805
Less: financial aid	(28,877,558)	-	-	(28,877,558)	(26,806,190)
Net student tuition and fees	14,542,560	-	-	14,542,560	14,623,615
Contributions	1,525,202	4,169,354	6,203,161	11,897,717	54,271,792
Endowment distribution for operations	8,543,682	-	-	8,543,682	10,716,659
Auxiliary enterprises	8,268,340	-	-	8,268,340	8,600,272
Other revenue, gains and losses	2,020,576	28,809	(160,617)	1,888,768	2,433,515
Federal grants and contracts	1,486,112	-	-	1,486,112	1,472,818
State appropriations	715,440	-	-	715,440	674,512
Net assets released from restrictions:					
Satisfaction of time restrictions	7,311,098	(7,311,098)	-	-	-
Satisfaction of program restrictions	2,177,603	(2,177,603)	-	-	-
TOTAL REVENUE AND SUPPORT	46,590,613	(5,290,538)	6,042,544	47,342,619	92,793,183
EXPENSES					
Program Services:					
Instructional	16,908,325	-	-	16,908,325	19,368,051
Student services	9,028,964	-	-	9,028,964	8,682,575
Auxiliary enterprises	8,113,089	-	-	8,113,089	8,132,656
Academic support	2,734,956	-	-	2,734,956	2,949,539
Total Program Services	36,785,334	-	-	36,785,334	39,132,821
Supporting Services:					
Institutional support	9,966,280	-	-	9,966,280	10,521,992
Development and fundraising	3,997,330	-	-	3,997,330	3,450,209
Total Supporting Services	13,963,610	-	-	13,963,610	13,972,201
TOTAL EXPENSES	50,748,944	-	-	50,748,944	53,105,022
Change in net assets before other activities	(4,158,331)	(5,290,538)	6,042,544	(3,406,325)	39,688,161
OTHER ACTIVITIES					
Postretirement changes other than net periodic benefit cost	1,244,914	-	-	1,244,914	8,213,091
Change in value of split-interest agreements	464,131	388,190	263,440	1,115,761	862,906
Change in accrued sabbatical leave	474,140	-	-	474,140	676,791
Investment gains in excess of endowment distribution for operations	103,916	245,242	-	349,158	11,284,096
CHANGE IN NET ASSETS	(1,871,230)	(4,657,106)	6,305,984	(222,352)	60,725,045
NET ASSETS, BEGINNING OF YEAR	19,301,729	62,412,549	164,113,176	245,827,454	185,102,409
NET ASSETS, END OF YEAR	$ 17,430,499	$ 57,755,443	$ 170,419,160	$ 245,605,102	$ 245,827,454

The accompanying notes are an integral part of these financial statements.

ST. JOHN'S COLLEGE

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018
(With Summarized Financial Information for the Year Ended June 30, 2017)
Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (222,352)	$ 60,725,045
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Change in allowance for bad debts	107,723	(90,889)
Change in discount on contributions receivable	(304,842)	(186,053)
Contributions restricted for long-term purposes, plant and endowment	(5,580,680)	(29,772,269)
Contributed partnership investment for endowment	(931,233)	-
Net realized and unrealized gains on investments	(6,945,909)	(21,692,900)
Change in value of annuities and other trust agreements	(170,976)	(3,959)
Depreciation and amortization	3,454,698	3,348,642
Amortization of bond issue costs	18,218	18,205
Amortization of bond discount	27,748	27,748
Change in asset retirement obligation	(23,439)	(110,000)
Postretirement changes other than net periodic benefit cost	(1,244,914)	(8,213,091)
Changes in operating assets and liabilities:		
Loans and other receivable	(79,304)	4,004
Contributions receivable	6,761,526	(13,691,607)
Prepaid expenses and other assets	134,341	288,744
Accounts payable and accrued expenses	47,823	878,023
Accrued sabbatical leave	(474,140)	(744,017)
Deferred revenue	113,977	(343,120)
U.S. government grants refundable	(91,415)	96,801
Accrued postretirement benefits	328,603	2,212,058
Other liabilities	(71,922)	334,486
NET CASH USED IN OPERATING ACTIVITIES	(5,146,469)	(6,914,149)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	59,751,137	58,163,433
Purchases of investments	(56,006,857)	(52,091,968)
Purchases of property and equipment	(7,299,039)	(6,204,691)
Loans disbursed	(724,493)	(980,592)
Loans repaid	950,002	703,192
NET CASH USED IN INVESTING ACTIVITIES	(3,329,250)	(410,626)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received restricted for long-term purposes, plant and endowment	5,580,680	5,215,402
Contributed partnership investment for endowment	931,233	-
Borrowings under line of credit	3,500,000	5,250,000
Principal payments on line of credit	(5,750,000)	(3,880,000)
Contributed annuities and trusts held for long-term purposes	218,027	47,966
Payments on annuities	(335,767)	(374,068)
Repayments of principal on bonds payable	(465,000)	(368,821)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,679,173	5,890,479
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(4,796,546)	(1,434,296)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR	10,341,682	11,775,978
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 5,545,136	$ 10,341,682
Cash and cash equivalents, end of year	3,350,415	3,824,983
Restricted cash for construction, end of year	2,194,721	6,516,699
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$ 5,545,136	$ 10,341,682
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing activities		
Purchases of property and equipment payable	$ 690,382	$ -
Cash payments during the year for interest	$ 699,489	$ 1,083,000

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

St. John's College (the College) is a not-for-profit private college established under the laws of the State of Maryland, and consists of the Annapolis, Maryland Campus (Annapolis) and the Santa Fe, New Mexico Campus (Santa Fe) (collectively, the Campuses) and the College Fund. The Campuses and the College Fund share a common governing board, the Board of Visitors and Governors (the Board). Neither the Campuses nor the College Fund are legal entities, but rather they are components of the College. The College Fund was created by the College as an internal fund to account for assets contributed by donors, not specifically designated for either Annapolis or Santa Fe, but designated for the benefit of both Campuses equally.

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net assets and the changes in net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations, including amounts designated by the Board to act as quasi-endowments.

Temporarily restricted – Net assets subject to donor-imposed stipulations that will be met by actions of the College and/or by the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that require that the principal be maintained in perpetuity by the College, with the earnings used for the purposes designated by the donor.

Revenue and support are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Net realized and unrealized gains and losses on investments are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed into service.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and short-term, highly liquid investments with maturities at dates of purchase of three months or less, except that any such investments purchased with funds on deposit for debt service or held by endowment investment managers are classified with those applicable assets. As of June 30, 2018, and at various times during the year then ended, the College maintained cash balances in excess of the federally insured limit.

Restricted Cash for Construction

Restricted cash consists of remaining funds from the 2016 bond issuance. These funds are invested in short-term, highly liquid securities and will be used for certain new construction projects.

Loans Receivable

Loans receivable are reported at their face value, less an allowance, and consist of U.S. government revolving student loans, institutional student loans and faculty home loans. Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collection. Such funds are ultimately refundable to the government and are reported as U.S. government grants refundable. Loans receivable under the Federal Perkins Loan Program are subject to government regulations. The Federal Perkins Loan Program ended during fiscal year 2018, and the College will make required repayments to the government. The repayment and interest rate terms of the institutional student loans vary considerably.

Faculty home loans consist of mortgage and interest-only loans which bear interest at the applicable federal rate and are secured by the residential real estate for which the loans were made.

The allowance for doubtful accounts is estimated based on the College's historical experience and periodic review of individual accounts.

Investments

Investments include cash and cash equivalents, a fixed-income mutual fund, and common stock and equity mutual funds, all with readily determinable fair values recorded at fair value based upon quoted market prices, and includes charitable remainder trusts whose fair value is based on unobservable inputs. Investments also include various global equity, hedge and private equity funds (alternative investments) which are stated at fair value based on the fund's or partnership's reported net asset value per share or its equivalent (NAV) as a practical expedient. These estimated fair values, which are reviewed and evaluated by the College and its external resources, may differ from values that would have been used had a ready market existed for these investments and the differences could be significant. The College had no plans or intentions to sell alternative investments at amounts different from NAV as of June 30, 2018. Net realized and unrealized gains and losses on investments are reflected in the accompanying statement of activities. Investment transactions are accounted for on a trade-date basis.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Investments (continued)

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statement of financial position.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at date of gift, if donated. Additions or improvements that extend the useful life of existing facilities are capitalized. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	5-50 years
Equipment and furnishing	5-15 years

Repairs and maintenance costs are expensed as incurred. Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate that an asset may not be recoverable, an impairment loss is recognized in an amount by which the asset's net carrying value exceeds its estimated fair value.

Sabbatical Leave

Sabbatical leave is available to both tenured and nontenured faculty upon completion of a minimum service period and is accrued as it is earned.

Annuities and Other Trust Liabilities

Annuities and other trust liabilities represent split-interest agreements, consisting of irrevocable charitable remainder trusts and gift annuities for which the College is the trustee. Assets held under these agreements are included in investments. The College's interest in split-interest agreements is reported as a contribution in the fiscal year in which it is received and is calculated as the difference between the fair value of the assets contributed and the estimated liability to the beneficiary. The split-interest agreements are adjusted during the term of the trusts for changes in the value of assets and other changes in the estimates of future benefits, and such changes are recognized as other activities in the accompanying statement of activities.

Tuition, Fees and Financial Aid

Student tuition, room and board, and other academic fees are recorded as revenue and support during the fiscal year in which the related academic services are rendered. Student tuition and fees received in advance of services rendered are recorded as deferred revenue.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Tuition, Fees and Financial Aid (continued)

The College provides financial aid to eligible students, generally, in a "package" that includes loans, compensation under work-study programs, and/or grant and scholarship awards. The loans are provided partially through programs of the United States government (including direct and guaranteed loan programs) under which the College is responsible only for certain administrative duties. The grants and scholarships include awards provided through gifts and grants from private donors or from income earned on endowment funds restricted for student aid, as well as general fund scholarship awards.

Financial aid including grant and scholarship awards is netted against tuition and fees revenue.

Federal student financial aid programs (including the Federal Perkins Loan Program loans, grants, and work-study programs) funded approximately 10% of net tuition and student fees revenue in 2018.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue and support in the appropriate category of net assets in the reporting period in which they are received. Unconditional promises to give are recognized initially at fair value, giving consideration to anticipated future cash receipts and discounting such amounts at a risk-adjusted rate. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Amortization of the discount is recorded as additional contribution revenue. Where considered necessary, allowance is made for estimated uncollectible contributions based on management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Changes in the nature of any restrictions on contributions due to amendments to or clarifications of agreements with donors are recognized as reclassifications of net assets in the period in which the amendments or clarifications are approved.

Auxiliary Enterprises

Auxiliary enterprises consist primarily of revenue received from students for room and board charges, bookstore and food services operations, parking facilities, and other goods and services. Revenue is recognized in the period in which the sale occurs or in the fiscal year in which the academic term is predominantly conducted.

Functional Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs related to the operation and maintenance of physical plant, including depreciation, are allocated to program and supporting activities based upon square footage of facilities. Interest on debt is recorded in institutional support and auxiliary enterprises.

Continued

1. Organization and Summary of Significant Accounting Policies (continued)

Other Activities

Other activities include investment gains and losses in excess of endowment distributions for operations, postretirement changes other than net periodic benefit cost, and the changes in value of split-interest agreements and in accrued sabbatical leave.

2. Loans and Other Receivable

Loans and other receivable consisted of the following as of June 30, 2018:

Institutional student loans	$ 4,355,330
Federal Perkins Loan Program	1,478,334
Faculty home loans	914,951
Tuition receivable	68,059
Total Loans and Other Receivable	6,816,674
Less: Allowance for Doubtful Accounts	(731,962)
Loans and Other Receivable, Net	$ 6,084,712

The College considers the allowance at June 30, 2018, to be reasonable and adequate to absorb potential credit losses.

3. Contributions Receivable

Contributions receivable were due as follows as of June 30, 2018:

Less than one year	$ 7,786,341
One year to five years	26,096,111
Over five years	11,740,000
Total Contributions Receivable	45,622,452
Less: Unamortized Discount (average interest rate of 2.0%)	(4,016,549)
Contributions Receivable, Net	$ 41,605,903

Management closely monitors outstanding balances and has determined that the outstanding contributions receivable as of June 30, 2018, are fully collectible.

The College has also conditionally been named as the beneficiary in various bequests and trusts. These conditional promises to give will not be recognized until the conditions are met. The total amount of conditional promises to give as of June 30, 2018, is not estimable and therefore not disclosed in these financial statements.

Continued

4. Investments

Investments consisted of the following as of June 30, 2018:

Global equity funds	$ 64,328,364
Hedge funds	49,375,486
Common stock and equity mutual funds	22,568,023
Private equity funds	16,416,277
Fixed- income mutual funds	14,661,264
Cash and cash equivalents	3,155,848
Charitable remainder trusts	1,604,586
Total Investments	$172,109,848

As of June 30, 2018, cash and cash equivalents includes cash remitted to fund managers for investment that was not received by the fund managers as of the end of the fiscal year.

Investment income is reported in the accompanying statement of activities as endowment distributions for operations and investment gains in excess of endowment distributions for operations. The following table summarizes investment income for the year ended June 30, 2018:

Interest, dividends, and other income, net of fees	$ 1,946,931
Net realized and unrealized gains on investments	6,945,909
Net Investment Income	8,892,840
Endowment Distribution for Operations	(8,543,682)
Investment Gains in Excess of Distribution	$ 349,158

5. Fair Value Measurement

The fair value of the College's financial instruments is determined based on the amount that would be received if an asset were sold or that would be paid to transfer a liability, in each case in an orderly transaction between market participants at the measurement date assuming the transaction occurs in the asset's principal (or most advantageous) market. Those fair value measurements maximize the use of observable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

5. Fair Value Measurement (continued)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments at NAV (Practical Expedient)[1]	Fair Value
Financial assets:					
Investments					
Global equity funds	$ -	$ -	$ -	$ 64,328,364	$ 64,328,364
Hedge funds	-	-	-	49,375,486	49,375,486
Common stock and equity mutual funds	21,357,021	1,211,002	-	-	22,568,023
Private equity funds	-	-	-	16,416,277	16,416,277
Fixed income mutual funds	14,661,264	-	-	-	14,661,264
Cash and cash equivalents	3,155,848	-	-	-	3,155,848
Charitable remainder trusts	-	-	1,604,586	-	1,604,586
Total Investments	39,174,133	1,211,002	1,604,586	130,120,127	172,109,848
Beneficial interest in a trust	-	-	2,726,463	-	2,726,463
Cash restricted for construction	2,194,721	-	-	-	2,194,721
Total Financial Assets	$ 41,368,854	$ 1,211,002	$ 4,331,049	$ 130,120,127	$ 177,031,232
Financial liabilities:					
Annuities and other trust liabilities	$ -	$ -	$ 2,293,554	$ -	$ 2,293,554

[1] Investments that are measured at fair value using NAV as a practical expedient are not classified within the fair value hierarchy. The fair value amounts permit reconciliation of investments in the fair value hierarchy table to amounts presented in the accompanying statement of financial position.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, mutual funds, common stock and restricted cash for debt service: Fair value is determined using quoted market prices at the reporting date multiplied by the quantity on hand and is classified as Level 1, or is determined by using prices based on those of other similar investments and is classified as Level 2.

Continued

5. Fair Value Measurement (continued)

Alternative investments: Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. The NAV reported by each fund is used as a practical expedient to estimate the fair value of the College's interest therein.

Charitable remainder trusts, beneficial interest in a trust and annuities and other trust liabilities: Fair value is determined as the present value of the future cash flows discounted at an interest rate that reflects the risks inherent in those cash flows. For remainder trusts, cash flows are based on the contractual payout rates of the agreements over a time period determined on the basis of the current age of the annuitants and corresponding mortality tables. Beneficial interests relate to trusts held by third party trustees.

There have been no changes in investment valuation techniques or inputs.

The table below summarizes investments for which NAV or its equivalent has been used to estimate fair value as a practical expedient, as well as the investee strategies, redemptions, and unfunded commitments related to such investments as of June 30, 2018:

Investment	Fair Value	Remaining Average Life of Funds as of June 30, 2018	Unfunded Commitments as of June 30, 2018	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Global equity funds[a]					
Monthly	$ 26,439,125	N/A	$ -	Monthly	6-10 days
Quarterly	32,679,719	N/A	-	Quarterly	45-90 days
Annual	5,209,520	N/A	-	Annual	90 days
Hedge funds[b]					
Monthly	6,998,462	N/A	-	Monthly	45-90 days
Quarterly	16,981,946	N/A	-	Quarterly	60 days
Semiannual	13,783,213	N/A	-	Semiannual	60-90 days
Annual	5,054,665	N/A	-	Annual	60 days
Illiquid	6,557,200	4.9 years	3,030,000	N/A	N/A
Private equity funds[c]	16,416,277	7.7 years	14,937,616	N/A	N/A
Total	$ 130,120,127		$ 17,967,616		

[a] The global equity managers' investment objective is to achieve long-term growth primarily by investing in a diversified portfolio of global equity securities, in established markets, that possess fundamental investment value.

[b] Hedge funds seek to achieve attractive long-term, absolute rates of return across market cycles while preserving capital. Investment strategies are utilized by the underlying funds to hedge and/or enhance return, including agency securities, commercial mortgage-backed securities, other securities backed by residential mortgages, interest only and inverse interest only strips, and securities relating to real estate investment trusts.

Continued

5. Fair Value Measurement (continued)

[(c)] The objective of private equity investments is to earn risk adjusted rates of return predominantly through the acquisition of private, illiquid income-producing assets such as real estate, natural resources, and private companies operating in other sectors. The College holds 32 individual interests in these partnerships with an average expected life of 7.7 years.

The following table reconciles the beginning and ending balances of the College's assets and liabilities measured at fair value using significant unobservable inputs (Level 3) for the year ended June 30, 2018:

	Financial Assets		Financial Liabilities
	Charitable Remainder Trusts	Beneficial Interest in a Trust	Annuities and Other Trust Liabilities
Fair Value, July 1, 2017	$ 1,553,187	$ 2,728,497	$ 2,584,304
Unrealized gains and losses	91,117	(2,034)	(173,010)
Purchases	454,727	-	-
New annuities and other trust liabilities	-	-	218,027
Sales	(494,445)	-	-
Payments to annuitants	-	-	(335,767)
Fair Value, June 30, 2018	$ 1,604,586	$ 2,726,463	$ 2,293,554

There were no transfers between fair value levels during 2018. Unrealized gains and losses above are included in change in value of split-interest agreements in the accompanying statement of activities.

6. Property and Equipment

Property and equipment as of June 30, 2018, is summarized below:

Buildings and improvements	$ 132,534,290
Equipment and furnishings	10,557,930
Land and land improvements	9,707,625
Construction in progress	2,495,230
Library books and fine art	843,730
Total Property and Equipment	156,138,805
Less: Accumulated Depreciation	(75,439,195)
Property and Equipment, Net	$ 80,699,610

Depreciation expense totaled $3,454,698 for the year ended June 30, 2018. No depreciation has been recorded on library books or fine arts due to their antique nature and the inability to estimate future service potential.

6. Property and Equipment (continued)

The College has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time at which certain buildings are renovated or disposed. The College has recognized an estimated liability of $1,480,371 for its obligation to perform such retirement activities, as of June 30, 2018. This amount is included in other liabilities on the accompanying statement of financial position. The College monitors these obligations and will modify its estimates periodically as additional information becomes available, including timing and extent of remediation and estimated cost.

7. Lines of Credit

The College maintains an unsecured revolving line of credit with a bank through April 20, 2019, totaling $4,000,000, which renews annually. Interest is payable monthly based on the London Interbank Offered Rate plus 2.5%, which was 4.25% as of June 30, 2018. The balance due under this line of credit as of June 30, 2018, totaled $3,000,000.

The College maintains another unsecured revolving line of credit with a bank through March 1, 2019, totaling $2,500,000, which renews annually. Interest is payable monthly based on an index rate set by the lender, which was 5% as of June 30, 2018. There were no amounts outstanding on the line of credit as of June 30, 2018.

8. Annuities and Other Trust Liabilities

Annuities and other trust liabilities as of June 30, 2018, are summarized below:

Charitable gift annuity liabilities	$ 1,479,420
Charitable remainder trust liabilities	814,134
Total Annuities and Other Trust Liabilities	$ 2,293,554

Assets totaling $4,806,302 as of June 30, 2018, corresponding to the charitable gift annuity liabilities are included as common stock and equity mutual funds in investments while assets totaling $1,604,586 corresponding to the charitable remainder trust liabilities are included as charitable remainder trusts in investments in the accompanying statement of financial position (see Note 4). The College acts as trustee of the charitable remainder trust assets.

9. Bonds Payable

Bonds payable as of June 30, 2018, are summarized below:

Bonds payable – Public Finance Authority	
Revenue Bonds – 2016 Series:	
Interest rates from 2.00% to 5.00% payable over 30 years	$ 23,910,000
Bonds payable – City of Annapolis – 2007 Series:	
Economic Development Revenue and Refunding bonds	
Interest rates from 4.375% to 5.00% payable over 30 years	3,695,000
Bonds Payable	27,605,000
Unamortized Discount	(776,863)
Deferred Bond Issue Costs	(389,391)
Bonds Payable, Net	$ 26,438,746

Bond issuance costs represent fees associated with bond issuances and are amortized over the life of the bonds. Amortization expense totaled $45,966 for the year ended June 30, 2018, and is included in interest expense as allocated to the programs in the accompanying statement of activities.

Scheduled maturities of the bonds for future years ending June 30 are as follows:

2019	$ 485,000
2020	630,000
2021	665,000
2022	685,000
2023	695,000
Thereafter	24,445,000
Total	$ 27,605,000

For the year ended June 30, 2018, interest expense, including interest relating to the lines of credit, totaled $924,626.

10. Postretirement Medical Benefits

The College sponsors an unfunded defined benefit postretirement medical plan (the Plan). Under the Plan, employees are eligible for postretirement medical benefits on or after age 65 with 10 years of service, or upon retirement prior to age 65 with 30 years of service. In certain circumstances, an employee who has attained age 59½ and has at least 25 years of service may be declared eligible. The medical benefits available will be the health benefits provided to eligible retirees under the terms of the current health care plan in effect when the employee retires. Retirees are expected to pay a portion of the cost of providing retiree medical benefit. The percentage that a retiree is expected to pay varies based on the retiree's retirement age.

10. Postretirement Medical Benefits (continued)

The College accrues the expected cost of providing postretirement benefits to employees and their beneficiaries and covered dependents, if applicable, during the years in which the employees render service. Each of the Campuses records a portion of the overall plan benefit obligation based on actuarial estimates. The benefit obligation is calculated using the Projected Unit Credit funding method. As of June 30, 2018, the College has not identified any provisions of health care reform that would be expected to have a material impact on the College's liability.

Effective January 1, 2018, the Plan was amended for Annapolis participants and a Medicare Advantage Plan was implemented for current and future retirees over the age of 65. This resulted in a reduction of $203,941 in Annapolis' portion of the Plan's benefit obligation.

The following table sets forth the Plan's projected postretirement benefit obligation, fair value of plan assets, and funded status at June 30, 2018:

Change in benefit obligation:	
Benefit obligation at beginning of year	$ 22,471,192
Service cost	840,790
Interest cost	898,847
Plan amendments	(203,941)
Actuarial gain	(1,778,396)
Participant contributions	121,393
Benefits paid	(795,004)
Benefit Obligation at End of Year	$ 21,554,881
Change in plan assets:	
Fair value of plan assets at beginning of year	-
Expected return on plan assets	-
Employer contributions	673,611
Participant contributions	121,393
Benefits paid	(795,004)
Fair Value of Plan Assets at End of Year	-
Funded Status	$ (21,554,881)

Weighted average assumptions used to determine the postretirement benefit obligation as of June 30, 2018, were as follows:

Discount rate	4.23%
Pre-65 Medical health care trend rates	6.75%-4.50%
Post-65 Medical health care trend rates	8.20%-4.50%
Year ultimate trend rate achieved	2024
Mortality rate	RP-2014, Scale MP-2017

10. Postretirement Medical Benefits (continued)

The net periodic postretirement benefit cost reported as operating expense for the year ended June 30, 2018, includes the following components:

Service cost	$ 840,790
Interest cost	898,847
Amortization of prior service credit	(983,045)
Amortization of net actuarial loss	104,531
Net Periodic Postretirement Benefit Cost	$ 861,123

Weighted average assumptions used to determine net periodic cost for the year ended June 30, 2018, were as follows:

Discount rate	4.00%
Pre-65 Medical health care trend rates	6.75%-4.50%
Post-65 Medical health care trend rates	8.20%-4.50%
Year ultimate trend rate achieved	2024

The items not yet recognized as a component of net periodic benefit cost were as follows as of June 30, 2018:

Net actuarial gain arising during year	$ (1,778,396)
Amortization of net actuarial loss	681,574
Amortization of prior service cost	196,940
Plan amendment	(203,941)
Total	$ (1,103,823)

The effect of a 1% increase or decrease in trend rates on total service, interest cost and the postretirement benefit obligation was as follows at June 30, 2018:

	1% Increase	1% Decrease
Effect on total service and interest cost component	$ 397,712	$ (303,528)
Effect on postretirement benefit obligation	3,442,911	(2,752,845)

The College makes contributions to the postretirement medical plan equal to the net benefits paid each year. For subsequent years ending June 30, the College expects to make contributions to and pay benefits from the plan as follows:

For the Year Ending June 30,	
2019	$ 696,965
2020	793,886
2021	855,780
2022	940,071
2023	972,982
2024 and thereafter	5,583,318
Total	$ 9,843,002

11. Commitments, Risks and Contingencies

The College maintains its cash and cash equivalents with certain commercial financial institutions and the investment custodian, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of $250,000 per depositor per institution. As of June 30, 2018, the amount in excess of the limit insured by the FDIC was approximately $2,970,000. The College monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

The College's contributions are concentrated with a small donor base. As of June 30, 2018, approximately 94% of gross contributions receivable was from nine donors.

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the College.

The College is a party to various litigation and other claims in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses and the ultimate resolution of these matters will not have a significant effect on the financial position of the College.

12. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted as follows as of June 30, 2018:

Endowment earnings available for appropriation	$ 30,749,211
Contributions receivable restricted for future time periods	13,775,320
Gifts restricted for future time periods	7,269,574
Beneficial interest in a trust	2,726,463
Split-interest agreements	1,978,835
Cash value of life insurance	721,040
Plant	535,000
Total Temporarily Restricted Net Assets	$ 57,755,443

Continued

12. Net Assets (continued)

Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following as of June 30, 2018:

Endowments for student scholarships and operating support	$137,107,687
Contributions receivable for endowment	27,868,320
Revolving student loan funds	3,828,692
Split-interest agreements	1,614,461
Total Permanently Restricted Net Assets	$170,419,160

13. Endowment

The College's endowment is composed of both donor-restricted endowment funds and board-designated funds. Net assets consisting of those funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The College's Board of Visitors and Governors has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as enacted by the state of Maryland as requiring the College to manage and invest the individual donor-restricted endowment funds in good faith and with prudence. The College classifies as permanently restricted net assets (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by the Act. The College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the College and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) the other resources of the College; and (7) the investment policies of the College.

Return Objectives and Risk Parameters

The College has adopted an investment policy for its endowment assets that attempts to provide a steady and growing stream of annual distributions sufficient to meet its endowment spending policy while seeking to maintain the long-term purchasing power of the portfolio's assets, all within acceptable risk parameters. The portfolio oversight rests with the Investment Committee of the Board of Visitors and Governors, including the selection of external managers and the allocation and choice of investments.

Continued

13. Endowment (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation with exposure to equities, absolute return, fixed income and real assets. In addition, the endowment fund includes faculty home loans, which are secured by the real property (see Note 2).

Pooled Endowment Spending Rate

The College's endowment is subject to a spending policy that determines the amount available for operations each year. The policy provides a blended formula based on a percentage of the prior year's spending amount and market value of endowment funds. Unless otherwise approved by the Board, the annual spending amount must not be less than 4.5% or more than 5.5% of the market value of the endowment.

Endowment net assets consisted of the following as of June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (2,236,473)	$ 30,749,211	$137,107,687	$ 165,620,425
Board-designated endowment funds	7,528,516	-	-	7,528,516
Total Endowed Net Assets	$ 5,292,043	$ 30,749,211	$137,107,687	$ 173,148,941

The accompanying statement of financial position does not include loans payable from the operating funds to the endowment funds, as these are considered internal transactions. Accordingly, the corresponding notes receivable and notes payable have been eliminated. The loan balance for Annapolis as of June 30, 2018, was $5,903,094. The Board approved the loan from the endowment fund on April 16, 2007. This loan was used to finance property acquisitions and improvements for Annapolis. These improvements have been capitalized as part of the College's buildings and improvements and are being depreciated over their estimated useful lives. The College considers this loan to be a part of the total endowment and will be repaid with interest ranging from 4.75% to 5.5% over 30 years. The loan was effective July 1, 2007.

13. Endowment (continued)

Pooled Endowment Spending Rate (continued)

Changes in endowment net assets for the year ended June 30, 2018, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2017	$ 5,454,632	$ 31,367,216	$ 131,721,672	$ 168,543,520
Investment return:				
Investment income, net of expenses	151,162	360,494	-	511,656
Realized and unrealized losses	1,696,904	5,554,528	-	7,251,432
Gifts and transfers	-	-	5,386,015	5,386,015
Appropriations of endowment assets for current operating support	(2,010,655)	(6,533,027)	-	(8,543,682)
Endowment Net Assets, June 30, 2018	$ 5,292,043	$ 30,749,211	$ 137,107,687	$ 173,148,941

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. Deficiencies of this nature that are reported in unrestricted net assets were $2,236,473 as of June 30, 2018.

14. Retirement Plans

College employees are covered by defined-contribution plans, which provide retirement benefits through Teachers Insurance and Annuity Association (TIAA) and The College Retirement Equity Fund (CREF). Under these plans and pursuant to the provisions of Section 403(b) of the Internal Revenue Code (the IRC), College and participant contributions are used to purchase individual annuity contracts and investments offered through TIAA and CREF. Vesting provisions are full and immediate. College contributions to the defined contribution plans were $1,274,752 for the year ended June 30, 2018.

15. Income Taxes

As an educational institution meeting the requirements of Section 501(c)(3) of the IRC, the College is exempt from income taxes on income related to its exempt purpose as provided in Section 501(a), except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required for 2018.

Continued

15. Income Taxes (continued)

Management has analyzed the tax positions taken by the College and has concluded that as of June 30, 2018, there were no uncertain positions taken or expected to be taken that would require recognition or disclosure in the accompanying financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

16. Related-Party Transactions

As of June 30, 2018, approximately 81% of gross contributions receivable was due from five members of the Board. In addition, a member of the Board has a managerial and financial interest in an investment firm through which the College has an investment.

17. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

18. Reclassifications

Certain 2017 financial statement amounts, principally with respect to the statement of cash flows, have been reclassified to conform with the 2018 financial statement presentation.

19. Subsequent Events

The College has evaluated subsequent events through November 27, 2018, the date on which the financial statements were available to be issued, and no matters required adjustment to or disclosure in the accompanying financial statements.

SUPPLEMENTAL INFORMATION

Raffa

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Visitors and Governors of
St. John's College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. John's College (the College), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion

Continued

on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 27, 2018

Raffa

Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Visitors and Governors of
St. John's College

Report on Compliance for Each Major Federal Program

We have audited St. John's College's (the College) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2018. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Continued

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Raffa, P.C.

Raffa, P.C.

Washington, DC
November 27, 2018

ST. JOHN'S COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Annapolis Campus	Santa Fe Campus	Total Federal Expenditures
Student Financial Assistance Cluster:					
U.S. DEPARTMENT OF EDUCATION					
Federal Direct Student Loans	84.268	N/A	$ 2,382,622	$ 2,118,508	$ 4,501,130
Federal Perkins loans outstanding as of beginning of year	84.038	N/A	604,133	678,763	1,282,896
Federal Perkins loans disbursed	84.038	N/A	20,000	62,925	82,925
Federal Pell Grants	84.063	N/A	476,782	486,252	963,034
Federal Work-Study	84.033	N/A	140,650	147,189	287,839
Federal Supplemental Educational Opportunity Grants	84.007	N/A	101,745	112,226	213,971
Total U.S. Department of Education			3,725,932	3,605,863	7,331,795
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,725,932	$ 3,605,863	$ 7,331,795

See accompanying notes to this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. Consequently, amounts are recorded as expenditures when the obligations are incurred.

Cost Principles

Federal expenditures were recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). The College has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

2. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Federal grants and contracts in the accompanying statement of activities are divided between the following categories:

Federal programs:	
Federal Pell Grants, Federal Work Study, and Federal SEOP	$ 1,464,844
Federal grants and contracts not subject to OMB Uniform Guidance	21,268
Federal Grants and Contracts per the Statement of Activities	$ 1,486,112

3. Reporting Entity

St. John's College (the College) is a not-for-profit private college established under the laws of the State of Maryland, and consists of the Annapolis, Maryland, Campus (Annapolis) and the Santa Fe, New Mexico, Campus (Santa Fe) (collectively, the Campuses) and the College Fund. The campuses and the College Fund share a common governing board, the Board of Visitors and Governors (the Board). Neither the Campuses nor the College Fund are legal entities, but rather they are components of the College. The College Fund was created by the College as an internal fund to account for assets contributed by donors, not specifically designated to either Annapolis or Santa Fe, but designated for the benefit of both Campuses equally.

4. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of the College under federally funded programs for the year ended June 30, 2018. For purposes of the Schedule, federal awards include all grants, contracts, and

Continued

4. Basis of Presentation (continued)

similar agreements entered into directly between the College and agencies and departments of the federal government and all subawards made to the College by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

Expenditures for federal student financial aid programs are recognized as incurred and include Federal Pell program grants to students, loan disbursements under the Federal Perkins Loan Programs, Federal Direct Loans and Parent Loans for Undergraduate Students (PLUS) programs (Direct Student Loans), the federal share of students' Federal Supplemental Educational Opportunity Grant program grants and Federal Work Study program earnings, and administrative cost allowances, where applicable. Loans made under the Federal Direct and PLUS programs are disbursed by the Federal government. The Federal Perkins Loan Program ended during fiscal year 2018 and the College will make required repayments to the government.

5. Federal Student Loan Programs and Related Matters

The Federal Perkins Loan Program (the Perkins Program) is administered directly by the College and balances and transactions relating to the program are included in the College's financial statements. The balance of loans outstanding under the Perkins Program was $1,346,445 as of June 30, 2018. The principal amount of loans disbursed was $132,642 for the year ended June 30, 2018. The federal expenditures amount included on the Schedule includes the balance of loans outstanding as of June 30, 2017, and the new loans disbursed during the fiscal year.

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loans, and accordingly, these loans are not included in its financial statements. The principal amount of loans disbursed under these programs during the fiscal year ended June 30, 2018, is included on the Schedule.

6. Subrecipients

The College did not pass any federal awards through to subrecipients during the year ended June 30, 2018.

ST. JOHN'S COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	X	Unmodified	____	Qualified
	____	Adverse	____	Disclaimer
Internal control over financial reporting:				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	X	Unmodified	____	Qualified
	____	Adverse	____	Disclaimer
Internal control over major program(s):				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiency(ies) identified?	____	Yes	X	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?	____	Yes	X	No

Identification of Major Programs:

CFDA Numbers	Name of Federal Program or Cluster
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as a low-risk auditee?	X	Yes	____	No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None required to be reported.